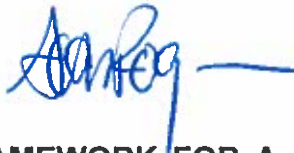


Community Development Commission

December 9, 2016

TO: Each Supervisor

FROM: Sean Rogan
Executive Director



SUBJECT: REPORT BACK ON FRAMEWORK FOR A PROPOSED MEMORANDUM OF UNDERSTANDING TO FACILITATE A COORDINATED COUNTYWIDE STRATEGY ON CONSTRUCTION OF PERMANENT HOUSING, ALLOCATION OF RENT SUBSIDIES AND PROVISION OF SUPPORTIVE SERVICES

On October 25, 2016, the Board of Supervisors (Board) directed the Community Development Commission (Commission), in consultation with the Executive Director of the Los Angeles Homeless Services Authority (LAHSA), the Chief Executive Officer (CEO), and County Counsel, to provide a written report, as part of the implementation of the Homeless Initiative (HI), on a framework for a proposed Memorandum of Understanding (MOU) that would facilitate a coordinated countywide strategy on construction of permanent housing, allocation of rent subsidies and provision of supportive services. This correspondence serves as a report back to the Board's aforementioned directive, and provides background on the subject matter, a proposed framework for a MOU, and recommended next steps.

Background

On February 9, 2016, the Board approved the Los Angeles County HI recommendations including 47 Strategies to combat homelessness, which included various strategies to increase the supply of affordable/permanent supportive housing, maximize the availability of subsidized housing, and improve and expand supportive services. The development of an adequate supply of affordable housing is the foundation to effectively combat homelessness. Both the comprehensive planning process and implementation have led to unprecedented cooperation and engagement between County departments, service providers, philanthropy and cities within Los Angeles County (County).

Of the 47 strategies, six seek to increase the supply of affordable/permanent supportive housing. The success of numerous other strategies rest on the ability of persons experiencing homelessness to locate housing in the private market with the assistance of various rental subsidies administered by Public Housing Authorities (PHAs), rapid-rehousing subsidies administered by LAHSA and other rental assistance provided by County departments.

Efficacy of Permanent Supportive Housing to Combat Homelessness

Permanent Supportive Housing (PSH) is a proven solution to end homelessness. PSH combines non-time limited affordable housing, rental/operating subsidies and supportive services. The

combination of these three strategies help the homeless stabilize. Supportive housing improves housing stability, employment, mental and physical health, and school attendance; and reduces active substance use. People in supportive housing are able to reintegrate into the community and live more productive lives.

To effectively combat homelessness, the County and local jurisdictions should continue to remove barriers to the development of affordable/permanent supportive housing and streamline allocation of supportive services, rental and operating subsidies to encourage the creation of a robust pipeline of PSH projects. The County can play a key role in supporting the creation of this pipeline of PSH developments by creating a mechanism to provide Intensive Case Management Services (ICMS) and other appropriate services for completed projects.

Future Increase in Permanent Supportive/Affordable Housing Production

Los Angeles City voters approved the \$1.2 billion HHH bond measure in November 2016. City officials expect to produce 1,000 housing units on an annual basis for the next ten years. The State of California's No Place Like Home Initiative (NPLH) will provide the County with an estimated \$650 million over four years to finance acquisition, construction, rehabilitation, or preservation, and to capitalize operating reserves for permanent supportive housing for individuals or households who are homeless, chronically homeless, or at risk of chronic homelessness with mental illness. Together with the County's commitment to reach an annual allocation of \$100 million towards affordable housing, these two funding sources will dramatically increase the supply of affordable housing. The majority of these units will be PSH.

Current financial models for PSH leverage public financing from local jurisdictions and agencies with capital and financing from the private sector. The majority of the capital is provided through Low Income Housing Tax Credit (LIHTC) investors. Construction and permanent financing is provided by financial institutions. Acquisition and pre-development financing is provided through various public and private entities, including Community Development Financial Institutions (CDFIs). In addition to capital financing, the long-term financial feasibility of PSH requires rental/operating subsidies and supportive services to provide stable cash flow and operations.

Upcoming health reform opportunities, such as the Whole Person Care pilots, the Health Home Program, and the Drug Medi-Cal Organized Delivery System, will create additional resources for the provision of supportive services for the chronically homeless. On their own, these sources cannot meet the demand for services that an additional 11,500-15,700 PSH units will require.

Successful and financially viable PSH requires capital, operating subsidies and supportive services. Given the increase in capital resources, investment in supportive services must keep pace with unit production. *A source of ongoing revenue to fund supportive services is needed to guarantee the success and financial feasibility of future PSH units.* Should such an ongoing source be secured, a mechanism is needed for the County to provide ICMS for completed projects and to incentivize the participation of cities and other PHAs to site and build PSH in their jurisdictions.

Permanent Supportive Housing through Tenant Based Vouchers

Development of newly constructed PSH units typically requires a minimum of three years. The supply of available permanent supportive housing may also be expanded through the use of tenant based vouchers. In addition to supporting the development of new PSH units by committing Project Based Vouchers (PBVs), PHAs can elect to dedicate a portion of their turnover Housing Choice Vouchers (HCVs) to people experiencing homelessness. Both the Housing Authority of the County of Los Angeles (HACoLA) and Housing Authority of the City of Los Angeles (HACLA) use HCVs to house people experiencing homelessness. The client receives an HCV and proceeds to find a unit on the private housing market.

HACoLA developed the highly effective Landlord Veteran Incentive Program (VIP) to encourage more landlords to rent to homeless Veterans holding a Veterans Affairs Supportive Housing (VASH) voucher. The VASH program combines HCV rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). Because VASH alone was not enough to quickly move veterans from the streets into safe housing, additional measures were needed to make VASH successful in a very tight housing market like Los Angeles.

The Board of Supervisors provided funding for VIP and its suite of incentives for landlord and housing location supports for Veterans. VIP is a model program and its elements should be implemented in current and future landlord incentive programs. HACoLA also operates the Homeless Incentive Program (HIP). Private landlords have not been as willing to rent to homeless clients as they were to veterans. A further complication has been HIP's lack of the full suite of incentives and supports that lead to VIP's success. Adjustments informed by VIP are currently under consideration for HIP. These adjustments will bolster HIP participation by landlords and improve client retention.

In addition to providing ICMS for newly constructed PSH units, the County should consider committing ICMS for each homeless client that is housed with an HCV. The County may wish to consider providing assistance to smaller PHAs for replication of landlord incentive programs like VIP and HIP. An ongoing revenue source for homeless services would be needed to provide this assistance.

Memoranda of Understanding and other Mechanisms to Document Agreements Between Jurisdictions and Agencies

If an ongoing revenue source for homeless services is secured, the County's Comprehensive Housing Strategy for permanent housing should be guided by an agreement between the County, PHAs and cities within the County. This agreement should codify existing informal agreements for ICMS, provide guidance, increase coordination, identify priority populations and incentivize the participation of other jurisdictions in the County's efforts to end chronic homelessness. Potential mechanisms to accomplish this include: A Memorandum of Understanding (MOU), a Mutual Cooperation Agreement, Interagency agreement or a Supportive Housing Agreement as New York City and New York State chose to execute.

Interagency and cross-jurisdictional agreements can be effective tools to address problems that require several parties to work together for successful resolution. For example, in 2011, HACoLA and HACLA executed an Interagency Agreement for the VASH Program to assist a total of 1,650 homeless Veterans and their families. This agreement enhanced homeless Veterans' ability to place their vouchers by allowing them to lease units within HACoLA's jurisdiction if they had a HACLA voucher and vice versa. This agreement replaced an otherwise cumbersome portability process.

In addition, there is a Master Services Agreement between the County and Commission as well as the County and the HACoLA, which allows the entities to provide specialized functions for each other. For each specialized function, the entities subsequently execute either a funding agreement or a MOU to specify the services to be performed by each entity and the funding source to be provided.

While there are many models for interagency and cross-jurisdictional agreements, the motion adopted by the Board of Supervisors specifically identifies a MOU as a tool to facilitate a coordinated countywide strategy on construction of permanent housing, allocation of rent subsidies and provision of supportive services. The following framework can be used for a MOU or any other interagency and cross-jurisdictional PSH agreement the Board of Supervisors may choose to execute in the future.

Framework for a Memorandum of Understanding

The framework for a proposed MOU should include the following elements to incentivize the participation of Los Angeles County's 88 cities in the fight to end homelessness:

1. Establish a term for the MOU. A ten-year term sends a strong message to LIHTC Investors, conventional lenders and other private entities that the County, PHAs and cities are committed to the development of PSH and mitigating certain risks associated with its development.
2. Establish the number of permanent supportive housing units that will be developed over the term of the MOU.
3. Delineate respective roles and responsibilities of each government entity with respect to capital, rental/operating subsidies and supportive services.
 - a. Capital – Capital will typically be provided by local jurisdictions in the form of a residual receipts loans to developers building PSH units. Donated and ground leased (with a de minimis payment) land may also be considered as a capital commitment. The cities that are parties to the MOU will commit to provide capital for a specific number of PSH units.
 - b. Rental/Operating Subsidies – A large percentage of the Rental/Operating subsidy will typically be provided through Public Housing Authorities in the form of PBVs. Additionally, the Los Angeles County Department of Health Services is providing rental subsidy commitments for units set aside for Frequent Users of the County's

- Health Services. The PHAs and local agencies that are parties to the MOU will commit to provide rental subsidies for a specified period of time and for a specified number of units. The length of commitment for rental/operating subsidies should be of a term sufficient to underwrite permanent conventional debt to finance PSH units.
- c. Supportive Services – Supportive Services will be provided by the County and will provide ICMS, linkage to appropriate health and other supportive services to chronically homeless and homeless individuals in PSH units built under this MOU.
4. Establish the County's commitment to provide a customized package of supportive services for every new unit of PSH built with capital subsidies from a municipality, built on donated or ground leased city owned land.
 5. Establish the County's commitment to provide a customized package of supportive services for every new unit of PSH with a PBV provided by a PHA.
 6. Establish the County's commitment to provide a customized package of supportive services for every new unit of PSH created through the use of a tenant based HCV provided by a PHA.
 7. Establish the County's commitment to provide a customized package of supportive services for every new unit of PSH with a long-term rental/operating subsidy with an enforceable long-term commitment from another government entity.
 8. Allocate and target supportive service resources to underserved areas of the County.
 9. Allocate and target supportive service resources and PSH unit production goals to a range of homeless populations informed by the Homeless Count and other data sources.
 10. Address tenant selection and referral through the Coordinated Entry System (CES), Housing for Health Access and Referral system or other current and future patient/client identification and referral systems utilized by the Health Agency.
 11. Create or identify an existing oversight body that will meet on no less than a quarterly basis to monitor implementation of the MOU.
 12. Delineate the duties of the oversight body, including a mechanism to allow mid-course adjustments based on resource utilization and availability, overall PSH production, and PSH gaps in difficult to develop areas of the County.

Next Steps

A MOU or other form of inter-governmental agreement to be determined by the Board of Supervisors, should be prepared to guide and underpin PSH development over the next ten years. The agreement should detail the level of supportive services the County is willing to commit

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to permanent supportive housing developed with capital subsidies from cities, PBVs from PHAs, HCVs, and other capital and rental subsidies. The framework outlined here provides the key elements that the agreement needs to address. The Board of Supervisors should identify the most appropriate County agency to lead or co-lead the development and negotiation of the MOU with cities and PHAs.

If you have any questions, please contact Maria Cabildo, Director of Homeless Initiatives at (626) 586-1664 or Maria.Cabildo@lacdc.org.

c: Each Deputy
Chief Executive Office